



UMUZIWABANTU MUNICIPALITY
Financial statements
for the year ended 30 June 2013
Auditor General

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

General Information

Mayoral committee

District Council Representative

M.B Gavu

M.P. Mteshane

Councillors

D. Nciki

M.B Gavu

A.D. Ngubo

N.B. Dlamini

M. Gallagher

M.S. Charane

A.T.C. Houston

T.H. Chiliza

D.S. Dlamini

M.J. Jali

X. Ndlangisa

M.V. Vezi

C.Z. Skosana

C.P.Nkomo

M.P. Mteshane

M.V. Nyathi

S.O. Njongo

S.W. Vethe

H.J. Ngubelanga

Grading of local authority

Grade 3

Municipal Manager

S D Mbhele

Chief Finance Officer (CFO)

T Mhlongo

Registered office

Murchison Street

Harding

4680

Postal address

Private Bag X1023

Harding

4680

Auditors

Auditor General

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Index	Page
Accounting Officers' Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Changes in Net Assets	6
Statement of Financial Performance	5
Cash Flow Statement	7
Appropriation Statement	8 - 9
Accounting Policies	10 - 23
Notes to the Financial Statements	24 - 39
Appendixes:	
Appendix A: Bank Account	40

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Officers' Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 39 in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

S D Mbhele
Municipal Manager

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

	Note(s)	2013 R	2012 R
Assets			
Current Assets			
Inventories	8	165,559	208,173
Receivables	4	80,217	133,548
Receivables from exchange transactions	9	21,528,747	1,476,567
VAT receivable	10	2,832,789	2,139,346
Consumer debtors	11	9,471,379	12,518,140
Cash and cash equivalents	12	33,134,892	31,502,730
		67,213,583	47,978,504
Non-Current Assets			
Investment property		1,686,000	1,568,400
Property, plant and equipment	2	143,976,041	117,132,478
Intangible assets	3	-	65,959
Receivables	4	500	89,933
Investments	7	20,075,689	17,152,921
		165,738,230	136,009,691
Total Assets		232,951,813	183,988,195
Liabilities			
Current Liabilities			
Other financial liabilities	15	77,032	207,569
Finance lease obligation	16	448,899	193,504
Payables from exchange transactions	19	9,554,051	8,594,733
Consumer deposits	20	506,111	516,510
Unspent conditional grants and receipts	17	13,182,220	26,692,691
Provisions	18	1,895,899	3,650,880
		25,664,212	39,855,887
Non-Current Liabilities			
Other financial liabilities	15	3,185	89,433
Finance lease obligation	16	440,208	387,359
		443,393	476,792
Total Liabilities		26,107,605	40,332,679
Net Assets		206,844,208	143,655,516
Net Assets			
Reserves			
Revaluation reserve	13	26,468,400	26,468,400
Accumulated surplus		180,375,808	117,187,116
Total Net Assets		206,844,208	143,655,516

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

	Note(s)	2013 R	2012 R
Revenue			
Revenue from exchange transactions			
Afforestation Scheme sales		7,764,187	8,224,766
Service charges	23	21,013,334	19,385,794
Rental of facilities and equipment		113,368	101,437
Licences and permits		2,369,988	2,070,557
Other income	25	680,945	335,137
Government grants		27,102,243	17,735,681
Interest received - investment		1,592,461	1,658,788
Gains on disposal of assets		110,000	129,862
Total revenue from exchange transactions		60,746,526	49,642,022
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	10,115,572	8,276,069
Property rates - penalties imposed	22	462,729	1,017,315
Transfer revenue			
Government grants & subsidies		41,450,254	40,836,827
Fines		255,188	626,736
Total revenue from non-exchange transactions		52,283,743	50,756,947
Total revenue	21	113,030,269	100,398,969
Expenditure			
Personnel	27	(27,782,689)	(26,527,879)
Remuneration of councillors	28	(5,206,979)	(4,994,159)
Afforestation Scheme general expenses		(3,496,616)	(3,107,451)
Afforestation Scheme cost of sales		(4,220,150)	(4,859,801)
Depreciation and amortisation	31	(4,870,475)	(4,618,476)
Impairment loss/ Reversal of impairments	32	-	(1,238,219)
Finance costs	33	(74,140)	(187,899)
Debt impairment	29	(891,299)	(171,253)
Repairs and maintenance		(2,229,836)	(2,104,791)
Bulk purchases	37	(17,329,195)	(16,143,105)
Contracted services	35	(364,132)	(2,411,225)
Grants and subsidies paid	36	(220,000)	(157,500)
Loss on disposal of assets	2	-	(289,388)
General Expenses	26	(18,246,818)	(14,796,696)
Total expenditure		(84,932,329)	(81,607,842)
Operating surplus		28,097,940	18,791,127
Changes in value of plantation	49	2,957,366	(1,901,920)
Surplus for the year		31,055,306	16,889,207

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Balance at 01 July 2011	-	100,297,909	100,297,909
Changes in net assets			
Surplus for the year	-	16,889,207	16,889,207
Restated Balance at 30 June 2012	26,468,400	-	26,468,400
Total changes	26,468,400	16,889,207	43,357,607
Balance at 01 July 2012	26,468,400	149,320,502	175,788,902
Changes in net assets			
Surplus for the year	-	31,055,306	31,055,306
Total changes	-	31,055,306	31,055,306
Balance at 30 June 2013	26,468,400	180,375,808	206,844,208
Note(s)	13		

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Cash Flow Statement

	Note(s)	2013 R	2012 R
Cash flows from operating activities			
Receipts			
Interest income		1,592,461	1,584,874
Payments			
Finance costs		(5,931)	(103,269)
Other payments		24,229,467	68,673,576
		24,223,536	68,570,307
Net cash flows from operating activities	38	25,815,997	70,155,181
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(21,920,375)	(22,043,758)
Proceeds from sale of property, plant and equipment	2	460,564	(25,526)
Proceeds from sale of other intangible assets	3	32,730	-
Proceeds from sale of financial assets		142,764	(223,481)
Purchase of investments		(2,922,768)	(17,152,921)
Net cash flows from investing activities		(24,207,085)	(39,445,686)
Cash flows from financing activities			
Repayment of other financial liabilities		(216,785)	297,002
Finance lease payments		240,035	496,233
Net cash flows from financing activities		23,250	793,235
Net increase/(decrease) in cash and cash equivalents		1,632,162	31,502,730
Cash and cash equivalents at the beginning of the year		31,502,730	-
Cash and cash equivalents at the end of the year	12	33,134,892	31,502,730

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2013											
Financial Performance											
Property rates	9,004,000	-	9,004,000	-		9,004,000	10,356,125		1,352,125	115 %	115 %
Service charges	22,688,000	393,000	23,081,000	-		23,081,000	20,952,619		(2,128,381)	91 %	92 %
Investment revenue	2,904,227	-	2,904,227	-		2,904,227	1,592,461		(1,311,766)	55 %	55 %
Transfers recognised - operational	47,280,000	(1,129,000)	46,151,000	-		46,151,000	40,570,978		(5,580,022)	88 %	86 %
Other own revenue	5,271,000	416,000	5,687,000	-		5,687,000	2,277,707		(3,409,293)	40 %	43 %
Total revenue (excluding capital transfers and contributions)	87,147,227	(320,000)	86,827,227	-		86,827,227	75,749,890		(11,077,337)	87 %	87 %
Employee costs	(27,836,984)	500,000	(27,336,984)	-	-	(27,336,984)	(27,782,689)	-	(445,705)	102 %	100 %
Remuneration of councillors	(5,018,000)	(432,000)	(5,450,000)	-	-	(5,450,000)	(5,206,979)	-	243,021	96 %	104 %
Debt impairment	-	-	-			-	(891,299)	-	(891,299)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(5,421,000)	26,000	(5,395,000)			(5,395,000)	(4,870,475)	-	524,525	90 %	90 %
Finance charges	(120,838)	(144,000)	(264,838)	-	-	(264,838)	(74,140)	-	190,698	28 %	61 %
Materials and bulk purchases	(20,844,000)	(1,716,000)	(22,560,000)	-	-	(22,560,000)	(17,329,195)	-	5,230,805	77 %	83 %
Transfers and grants	-	-	-	-	-	-	(220,000)	-	(220,000)	DIV/0 %	DIV/0 %
Other expenditure	(23,913,000)	477,000	(23,436,000)	-	-	(23,436,000)	(21,108,717)	-	2,327,283	90 %	88 %
Total expenditure	(83,153,822)	(1,289,000)	(84,442,822)	-	-	(84,442,822)	(77,483,494)	-	6,959,328	92 %	93 %
Surplus/(Deficit)	3,993,405	(1,609,000)	2,384,405	-		2,384,405	(1,733,604)		(4,118,009)	(73)%	(43)%
Surplus/(Deficit) for the year	3,993,405	(1,609,000)	2,384,405	-		2,384,405	(1,733,604)		(4,118,009)	(73)%	(43)%

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-	-	-	(19,873,707)	-	(19,873,707)	DIV/0 %	DIV/0 %
Sources of capital funds											
Transfers recognised - capital	25,948,957	5,000,000	30,948,957	-	-	30,948,957	-	-	(30,948,957)	- %	- %

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These standards are summarised as follows :

GRAP 1 : Presentation of financial statements
GRAP 2 : Cash flow statements
GRAP 3 : Accounting policies, changes in accounting estimates and errors
GRAP 4: The effects of Changes in Foreign Exchange Rates
GRAP 5: Borrowing Costs
GRAP 6: Consolidated and Seperate Financial Statements
GRAP 7: Investments in Associates
GRAP 8: Interests in Joint Ventures
GRAP 9: Revenue from Exchange Transactions
GRAP10: Financial Reporting in Hyperinflationary Economics
GRAP 11: Construction Contracts
GRAP 12: Inventories
GRAP 13: Leases
GRAP 14: Events after the Reporting Date
GRAP 16: Investment Property
GRAP 17: Property ,Plant and Equipment
GRAP 19: Provisions,Contingent Liabilities and Contingent Assets
GRAP 100: Non-Current Assets held for Sale and Discontinued Operations
GRAP 101: Agriculture
GRAP 102: Intangible Assets
IPSAS 20: Related Party Disclosures
IPSAS 21: Impairment of Non Cash Generating Assets
IFRS 3: Business Combinations
IFRS 7: Financial Instruments: Disclosures
IAS 19: Employee BenefitsIAS 32: Financial Instruments: Presentation
IAS 36: Impairment of Assets: Recognition and Measurement
IFRIC 4:Determining whether an Arrangement contains a Lease

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the year ended 30 June 2013 the Municipality has adopted the accounting framework as set out above.

The Municipality changes an Accounting Policy only if the change :

a) is required by a Standard of GRAP; oare listed below:

GRAP 21: Impairment of Non-cash -generating Assets
GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfer)
GRAP 24: Presentation of Budget information in Financial Statements - issued November 2007
GRAP 25: Employee Benefits
GRAP 26: Impairment of Cash-generating Assets
GRAP 103: Heritage Assets
GRAP 104: Financial Instruments

b) resultis in the Annual Financial Statements providing reliable and more relevant information about the effects transactions, other events or conditions have on the performance or cashflow

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.2 Critical Judgements, Estimations and Assumptions

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements.

Revenue Recognition

Accounting Policy clause 9.1 on Revenue from Exchange Transactions and Accounting Policy clause 9.2 on Revenue from Non-exchange Transactions describe the conditions under which revenue will be recorded by the management of the Municipality

In making their judgement, the management considered the detailed criteria for the recognition of the revenue as set out in GRAP 9 (Revenue from Exchange Transactions) as far as Revenue from Non-Exchange Transaction is concerned (See basis for Preparation above), and in particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management.

Impairment of financial Assets

Accounting Policy Clause 5.4 on Impairment of Financial Assets describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the Municipality considered the detailed criteria impairment of financial assets as set out in IAS 39: Financial Instruments - Recognition and Measurement. The management of the Municipality is satisfied that impairment of financial assets recorded during the year is appropriate.

Useful Lives of Property, Plant and Equipment

As described in the Accounting policy clauses 2.2, 3.2 and 4.2, the Municipality depreciates/amortises its Property, Plant and Equipment and Intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on the industry knowledge.

Impairment: Write down of Property, Plant and Equipment and Inventories

Significant estimates and judgements are made relating to Property, Plant and Equipment impairment tests and write down of inventories to Net Realisable Values.

1.3 Going Concern Assumption

These annual financial statements have been prepared on a going concern basis.

1.4 Presentation of currency

These financial statements are presented in South African Rand, rounded off to the nearest Rand.

1.5 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.6 Property, plant and equipment

Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods and services, rental to others, or for administrative purposes, and are expected to be used for more than one year

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset if, and equipment is recognised as an asset if, it is probable that future economic benefits or services potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed costs being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. A non exchange transaction, the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in non monetary asset or monetary assets or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost must then be measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component

Subsequently, all property, plant and equipment, except for Infrastructure assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Depreciation

Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Infrastructure	
• Roads and Paving	30
• Taxi Ranks	20
Community	
• Buildings	30
• Refuse Dump	20

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Property, plant and equipment (continued)

Other property, plant and equipment

• Buildings	2-15
• Vehicles	5
• Disaster Management	2-10
• Office equipment	2-10
• Furniture and fittings	2-10
• Plant and equipment	2-15

Land

Land is stated at the values reflected in the valuation roll. The effective date of the last valuation was 1 July 2009

Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use

The assets' residual values, estimated useful lives and depreciation method are reviewed annually , and adjusted prospectively if appropriate, at each reporting date.

Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the Municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Infrastructure Assets

Infrastructure assets are any asset that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

Derecognition of Property, Plant and Equipment

The carrying amount of an item of property and equipment is derecognised on disposal, or when no future economic benefits or services potential are expected from the use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gain are not included in revenue

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from sales proceeds are included in the Statement of Financial Performance as a gain or loss on disposal of property,plant and equipment.

Impairment

Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the assets

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash -generating unit is the higher of its fair value less costs to sell and its value in use

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Property, plant and equipment (continued)

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amount of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the assets

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash -generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amount of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.7 Intangible assets

Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as Intangible assets. The Municipality recognises an intangible asset in its statement of Financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for nominal consideration, its cost is its fair value as at the date it is acquired. When an intangible asset is acquired in exchange for a nonmonetary asset, the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable its cost is the carrying amount of the asset(s) given up.

Subsequent Measurement, Amortisation and Impairment

Amortisation is charged on a straight line basis over the intangible assets' useful lives, which are estimated to be between three to five years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised for example, servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.8 Investment property

Initial Recognition

Investment Property includes property (Land or Buildings, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transactions costs once it meets the definition of investment property. However, where an investment property was acquired through a non exchange transactions (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- all properties held to earn market -related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- land held for a currently undetermined future use (if the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- a building owned by the municipality (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- a building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property Plant and Equipment, Inventory or Non-current Assets held for sale, as appropriate;

- property intended for sale in the ordinary courses of operations or in the process of construction or development for such sale;
- owner -occupied property , including (among other things) property held for future use as owner occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal
- property that is being constructed or developed for future use as investment property'
- property that is leased to another entity under a finance lease
- property held to provide a social service and which also generates cash inflows, e.g. Property rented out below market rental to sporting bodies, schools, low income families, etc; and property held for strategic purposes or service delivery

Subsequent Measurement

Investment property is measured using the cost model and is estimated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is at 20 -30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Performance.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.9 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality may have the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Unlisted Investments
- Investments on Fixed Deposits(Banking institutions)
- Long-term receivables
- Consumer deposits
- Other debtors
- Bank, Cash and Cash Equivalents

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Assets	Classification in terms of IAS 39.09
Unlisted Investments - Stock	Held at Fair value through profit and loss
Bank, Cash and Cash Equivalents	Available for sale
Bank, Cash and Cash Equivalents - Call deposits	Available for sale
Long term receivables	Loans and receivables
Consumer deposits	Loans and receivables
Other debtors	Loans and receivables
Investment in Fixed deposits	Held to maturity
Bank,Cash and Cash Equivalents - Notice dep	Held to maturity

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions;

- they are classified as held for trading;or
- upon initial recognition they are designated at fair value through the Statement of Performance

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and receivables;
- Held-to-Maturity investments;or
- Financial assets at fair value through the Statement of Performance.

Loans and Receivables are non-directive financial assets with fixed or determinable payments that are not quoted in an active market. They are included in the current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and Receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost using the effective interest rate method less a provision for impairment.

Held -to-Maturity investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash-on-hand (including petty cash) and cash with banks(including call deposits). Cash Equivalents are short term highly liquid investments, readily convertible in known amounts of cash, which are held with the registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of cashflow statement, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as a Financial asset : Available for sale.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.9 Financial instruments (continued)

Impairment of financial assets

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The Municipality may have the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long term Liabilities
- Creditor
- Short term loans
- Current portion of Long term Liabilities
- Consumer deposits

There are two main categories of Financial liabilities, the classification based on how they are measured. Financial liabilities may be measured at:

- (i) fair value through profit and loss; or
- (ii) not at fair value through profit or loss ('other financial liabilities')

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. Purchased with the intention to sell or repurchase in the short-term; derivatives other than hedging instruments are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulting gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as other Financial Liabilities of the Municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

Held-to-Maturity investment and loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

In accordance with IAS39.39 the financial liabilities are all classified as financial liabilities that are not measured at fair value through profit and loss.

Receivables from exchange transactions

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end.

Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Payables from exchange transactions

Trade creditors are stated at their nominal value.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.9 Financial instruments (continued)

Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

1.10 Inventories

Consumable stores are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

1.11 Revenue from exchange transactions

Service charges relating to refuse removal are raised by means of a rate, and the rate is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividends.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits. Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer. Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the Municipality not met the condition, a liability is recognised.

1.12 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on the time proportion basis. Fines constitute both spot fines and summonses.

Revenue from spot fines and summons is recognised when payment is received. Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.13 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions and obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.14 Provisions and contingencies

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

Contingent assets and Contingent Liabilities are not recognised, Contingencies are disclosed in Note 40 to the Annual Financial Statements.

1.15 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Value Added Tax

The Municipality accounts for Value Added Tax on invoice basis

1.19 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The receivables is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Finance leases - lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payment due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.19 Leases (continued)

Operating leases - lessor

Operating lease income is recognised as revenue on a straight line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases -lessee

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the Statement of Financial Performance accrued on a straight-line basis over the term of the relevant lease.

1.20 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amount of those assets are estimated.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.20 Impairment of cash-generating assets (continued)

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.21 Impairment of non-cash-generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the assets.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amount of those assets is estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.22 Afforestation

The Harding Afforestation Scheme (the Scheme) is managed by NCT Tree Farming (Pty) Ltd (NCT) and NCT is paid a management fee for this service by the Scheme. The Scheme's annual net profit accrues to the Umuziwabantu Municipality (UM). In terms of the agreement between NCT and UM certain fixed assets and the plantations under the control of the Scheme are the property of, and will remain the property of, the Umuziwabantu Municipality. Biological assets (plantation inventories) are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-taxation rate. Increases or decreases in value are recognised in the income statement.

All expenses incurred in maintaining and protecting the assets are recognised in the income statement. Finance charges are not capitalised.

1.23 Event after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the Annual Financial Statements.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.24 Related parties

Individuals, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager

1.25 Employee benefits

The municipality provides retirement benefits for its employees and councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the three defined benefit funds it administers. Contributions are charged as an expense in the Statement of Financial Performance in the year that they become payable.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the Contributions which are charged as an expense in the Statement of Financial Performance in the year that they become payable.

1.26 Borrowing costs

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

1.27 Comparative figures

Current year comparatives

Budgeted amounts have been included in the Annual Financial Statements for the current financial year

Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are re classified. The nature and reason for the reclassification is disclosed

1.28 Housing development fund

The Housing Development Fund is cash-backed and is dedicated to housing needs. The cash was generated by the sale of plots some years ago, and expenditure thereof is subject to approval of the Housing Board.

1.29 Investments

Financial instruments, which include short-term deposits invested in recognised commercial banks, are stated at cost.

1.30 Changes in accounting policies, estimated and errors

Changes in Accounting Policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period -specific effects or the cumulative effect of the change in policy in such cases the municipality restated the opening balances of assets, liabilities and net assets for earliest period for which retrospective restatement is practicable. Refer to the note for details of changes in accounting policies

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements, Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R			2012 R		
2. Property, plant and equipment						
	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	20,992,197	-	20,992,197	18,622,000	-	18,622,000
Buildings	12,989,852	(5,022,185)	7,967,667	17,427,511	(6,049,953)	11,377,558
Plant and machinery	7,065,567	(4,399,021)	2,666,546	6,024,698	(2,475,175)	3,549,523
Furniture and fixtures	2,009,625	(1,389,853)	619,772	2,245,445	(1,308,579)	936,866
IT equipment	1,328,409	(898,325)	430,084	1,474,160	(923,344)	550,816
Infrastructure	71,823,019	(13,002,312)	58,820,707	72,911,478	(11,828,281)	61,083,197
Other property, plant and equipment	4,132,757	(2,821,757)	1,311,000	4,274,591	(2,045,564)	2,229,027
Other leased Assets # 1	1,372,949	(425,443)	947,506	1,210,991	(439,188)	771,803
Stage equipment	1,564,248	(244,677)	1,319,571	1,211,363	(189,351)	1,022,012
Under construction	48,900,991	-	48,900,991	16,989,676	-	16,989,676
Total	172,179,614	(28,203,573)	143,976,041	142,391,913	(25,259,435)	117,132,478

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Land	18,622,000	-	-	2,370,197	-	20,992,197
Buildings	11,377,558	-	-	(2,979,006)	(430,885)	7,967,667
Plant and machinery	3,549,523	-	-	(310,322)	(572,655)	2,666,546
Furniture and fixtures	936,866	-	-	(80,799)	(236,295)	619,772
IT equipment	550,816	-	-	79,448	(200,180)	430,084
Infrastructure	61,083,197	22,016	-	290,573	(2,575,079)	58,820,707
Other property, plant and equipment	2,229,027	285,033	-	(869,918)	(333,142)	1,311,000
Other leased Assets	771,803	-	(322,346)	671,049	(173,000)	947,506
Afforestation	1,022,012	357,303	(28,218)	44,512	(76,038)	1,319,571
Under construction	16,989,676	21,256,023	-	10,655,292	-	48,900,991
	117,132,478	21,920,375	(350,564)	9,871,026	(4,597,274)	143,976,041

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Other changes, movements	Total
Land	18,750,000	-	-	(128,000)	18,622,000
Buildings	12,018,144	323,084	(134,000)	(829,670)	11,377,558
Plant and machinery	-	-	-	3,549,523	3,549,523
Furniture and fixtures	-	-	-	936,866	936,866
IT equipment	-	-	-	550,816	550,816
Infrastructure	-	-	-	61,083,197	61,083,197
Community	-	21,720,674	-	(21,720,674)	-
Other property, plant and equipment	-	-	-	2,229,027	2,229,027
Other leased Assets # 1	-	-	-	771,803	771,803
Stage equipment	-	-	-	1,022,012	1,022,012
Under construction	-	-	-	16,989,676	16,989,676
	30,768,144	22,043,758	(134,000)	64,454,576	117,132,478

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
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2. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

3. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	-	-	-	234,636	(168,677)	65,959

Reconciliation of intangible assets - 2013

	Opening balance	Disposals	Other changes, movements	Total
Computer software, other	65,959	(32,730)	(33,229)	-

4. Receivables

Residual interest at cost

Other financial asset 1 Terms and conditions	500	500
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At amortised cost

Other financial asset 1 Terms and conditions	500	500
Loans and receivables 1 Terms and conditions	80,217	222,981
	80,217	222,981
	80,717	223,481
Total other financial assets	81,217	223,981

Non-current assets

Residual interest at cost	500	500
At amortised cost	-	89,433
	500	89,933

Current assets

At amortised cost	80,217	133,548
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5. Finance lease receivables

6. Employee benefit obligations

The Municipality's personnel are members of one of the three Natal Joint Municipal Pension Funds i.e. (Superannuation, Provident and Retirement). The valuator carries out a statutory valuation on a triennial basis and an interim valuation on an annual basis (only the 2010 interim has been completed).

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
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6. Employee benefit obligations (continued)

Superannuation

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

A statutory (an interim) actuarial valuation of the Fund was carried out for the period ending 31 March 2012. The actuarial value of total assets was less than the actuarial value of liabilities for the service of members to that date and for pensioners by: 135000000 made up as follows:

For service to 31 March 2012

for pensioners - surplus funding level 116.0% (2008: surplus funding level 138.0%) - surplus R 405 000 000 for members - surplus funding level 93.0% (2008: surplus funding level 104.7%) - deficit -R 270 000 000

The fund hold an Investment Reserve at 31 March 2012. R 29 8300 000

Conclusion

The funding level of the Fund for active members has deteriorated from 102.6% at 31 March 2008 to 96.0% at 31 March 2012.

Post retirement benefit plan

The salient features of the Statutory (Interim) Valuation Report on the fund as at 31 March 2012 were that the net market value of the Fund's assets were nearly sufficient to fully cover the members share account and to provide total reserves of R 1 475 795 000 The liabilities of the Fund exceeded the assets by a small deficit (or unallocated assets) of which represents 7,05% of assets, is a feature of the smoothed bonus approach followed by the Fund and will be met from future investment earnings

Conclusion

The market value of the assets approximately equaled the liabilities and reserves at the valuation date, and this was the same situation as at 31 March 2009.

Retirement Fund

The salient features of the interim valuation of the fund at 31 March 2012 are:

The actuarial value of total assets of the fund was less than that of the actuarial value of the liabilities for the service of members to that date and for pensioners by R -234 710 000 made up as follows:

For service to 31 March 2012

for pensioners - funding level 115.3% (2009 : funding level 119.1%) - surplus 16790000 for members - funding level 82.0% (2009 : funding level 79.5%) - deficit -251500000

The fund did not hold an Investment Reserve.

Conclusion

The funding level of the Fund for active members has increased from 79.5% at 31 March 2009 to 82.0% at 31 March 2012.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
7. Investments		
8. Inventories		
Electrical equipment	96,230	152,704
Other	35,613	13,451
Other 3	33,716	42,018
	165,559	208,173
The inventory value is considered as the lower of cost or net realisable value.		
9. Receivables from exchange transactions		
Trade debtors	24,794,042	1,466,167
Deposits	10,400	10,400
Other debtors	(3,275,695)	-
	21,528,747	1,476,567
10. VAT receivable		
VAT	2,832,789	2,139,346
VAT is payable on the cash basis. Once payment is received from debtors, VAT is paid over to SARS		
11. Consumer debtors		
Gross balances		
Rates	7,887,741	10,235,056
Electricity	3,008,775	2,995,164
Refuse	1,014,215	835,974
Other (specify)	-	2,027,784
	11,910,731	16,093,978
Less: Allowance for impairment		
Other (specify)	(2,439,352)	(3,575,838)
Net balance		
Rates	7,887,741	10,235,056
Electricity	3,008,775	2,995,164
Refuse	1,014,215	835,974
Other (specify)	(2,439,352)	(1,548,054)
	9,471,379	12,518,140
Rates		
Current (0 -30 days)	1,617,424	-
31 - 60 days	241,935	662,074
61 - 90 days	210,197	524,706
91 - 120 days	190,522	430,477
121 - 365 days	3,032,970	387,644
> 365 days	2,594,693	8,230,155
	7,887,741	10,235,056

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
11. Consumer debtors (continued)		
Electricity		
Current (0 -30 days)	1,257,381	(100,460)
31 - 60 days	315,628	1,311,300
61 - 90 days	161,469	927,075
91 - 120 days	48,391	504,121
121 - 365 days	109,397	186,246
> 365 days	1,116,509	166,882
	3,008,775	2,995,164
Refuse		
Current (0 -30 days)	104,829	-
31 - 60 days	71,889	-
61 - 90 days	54,778	-
91 - 120 days	39,520	-
121 - 365 days	646,887	-
> 365 days	96,312	835,974
	1,014,215	835,974
Other (specify)		
> 365 days	(2,439,352)	(1,548,054)
Reconciliation of allowance for impairment		
Reversal of allowance	(2,439,352)	(3,575,838)
<p>The Credit Control Policy states that the average credit period is 30 days. Interest is charged on overdue accounts and such interest is determined by Council. Management has profiled each debt and considered the effect of any impairment in the value of outstanding debt</p> <p>The provision is made annually and is calculated by analysing all those above 90 days . The recoverability of debt owing by each above 90 days is assessed and the irrecoverable is classified based on the category area, No provision has been made with regards to property rate as these amounts are considered to be fully recoverable</p>		
12. Cash and cash equivalents		
Cash on hand	7,408	4,690
Bank balances	959,525	1,503,995
Short-term deposits	32,167,959	29,994,045
	33,134,892	31,502,730
Refer to Appendix A for the bank account		
13. Revaluation reserve		
In terms of the articles of association, ...(describe if reserves are distributable).		
Opening balance	26,468,400	26,468,400

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
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14. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2013

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Total
Opening balance	2,570,196	3,981,424	60,779,076	142,352	67,473,048
Other	-	-	28,738,915	-	28,738,915
	2,570,196	3,981,424	89,517,991	142,352	96,211,963

15. Other financial liabilities

At amortised cost

Annuity Loans	80,217	297,002
Terms and conditions		

Non-current liabilities

Annuity Loans	3,185	89,433
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Current liabilities

Annuity Loans	77,032	207,569
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16. Finance lease obligation

Non-current liabilities	440,208	387,359
Current liabilities	448,899	193,504
	889,107	580,863

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Eskom grant	-	10,800,000
CBD M/Plan & T/P Scheme	152,233	167,262
MSIG grant	-	90,942
Violence damage	-	391,101
Strategic environmental assessment	256,989	256,989
Small town rehabilitation	2,797,834	2,306,360
Management support grant	-	80,406
LUMS	73,000	73,000
REDS Support intergrat	-	150,000
MIG grant	9,894,274	11,953,597
Government expect funding	7,890	423,034
	13,182,220	26,692,691

The unspent conditional grants and receipts are invested in investment accounts until utilised

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
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18. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Reversed during the year	Total
Environmental rehabilitation Provision 1	1,955,700	(1,955,700)	-
	1,695,180	200,719	1,895,899
	3,650,880	(1,754,981)	1,895,899

The warranty provision represents management's best estimate of the municipality's liability under one period warranties granted on (electrical) (products), based on (prior experience) (and) (industry averages for defective products).

There is no expected reimbursement (from the manufacturer) in respect of this provision.

The restructuring provision relates to redundancy costs incurred on the disposal of. At , approximately -% of the staff had been retrenched. The remainder departed in .

The municipality moved from its previous leased premises. The lease is non-cancellable and the lease continues for the next - years. The municipality cannot find a lessee to occupy the premises.

19. Payables from exchange transactions

Trade payables	6,504,726	3,495,527
Accrued bonus	1,382,817	1,236,886
Housing creditors	330,885	317,537
Other creditors	1,335,623	3,544,783
	9,554,051	8,594,733

Staff leave is accrued to the staff of the municipality on an annual basis subject to certain conditions. The provision is the estimate of the amount due at the reporting date

The average credit period on purchases is 30 days from the receipt of the invoice as determined by the MFMA.

20. Consumer deposits

Electricity	506,111	516,510
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Consumer deposits are paid by consumers on application for new electricity connections. The deposits are paid when the electricity connections are terminated. In cases of consumers defaulting on their accounts the municipality can apply the deposit as payments for any outstanding balance

21. Revenue

Afforestation Scheme sales	7,764,187	8,224,766
Service charges	21,013,334	19,385,794
Rental of facilities and equipment	113,368	101,437
Licences and permits	2,369,988	2,070,557
Other income - (rollup)	680,945	335,137
Government grants	27,102,243	17,735,681
Interest received - investment	1,592,461	1,658,788
Property rates	10,115,572	8,276,069
Property rates - penalties imposed	462,729	1,017,315
Government grants & subsidies	41,450,254	40,836,827
Fines	255,188	626,736
	112,920,269	100,269,107

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
21. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Afforestation Scheme sales	7,764,187	8,224,766
Service charges	21,013,334	19,385,794
Rental of facilities and equipment	113,368	101,437
Licences and permits	2,369,988	2,070,557
Other income - (rollup)	680,945	335,137
Government grants	27,102,243	17,735,681
Interest received - investment	1,592,461	1,658,788
	60,636,526	49,512,160
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	10,115,572	8,276,069
Property rates - penalties imposed	462,729	1,017,315
Transfer revenue		
Government grants & subsidies	41,450,254	40,836,827
Fines	255,188	626,736
	52,283,743	50,756,947
22. Property rates		
Rates received		
Residential	1,513,704	2,322,808
Commercial	4,354,710	3,196,235
State	3,178,810	2,465,735
Agriculture	419,839	(219,915)
Public Service Infrastructure	(6,325)	6,905
Tourism	140,625	-
Communal	838,278	748,235
Less: Income forgone	(324,069)	(243,934)
	10,115,572	8,276,069
Property rates - penalties imposed	462,729	1,017,315
	10,578,301	9,293,384
Valuations		
Residential	403,832,633	326,041,000
Commercial	290,314,000	207,572,000
State	331,126,000	266,089,000
Agriculture	348,524,000	279,727,000
Public Service Infrastructure	5,750,000	4,787,928
Tourism	93,142,000	90,503,000
Communal	25,197,000	20,687,400
Property rates 3	146,634,000	10,936,000
Property rates 4	11,250,000	-
	1,655,769,633	1,206,343,328

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009 Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions. Different rate randages for Domestic, Commercial, Industrial and State properties are applied to property valuations to determine assessment rates. Rates are levied annually. Market related interest is levied on outstanding rates.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
23. Service charges		
Sale of electricity	19,606,480	18,154,339
Refuse removal	1,406,854	1,231,455
	21,013,334	19,385,794
24. Government grants and subsidies		
Equitable share	37,070,034	34,354,602
Government grant	580,173	253,190
Tourism	-	291,929
Free Basic Electricity	2,700,000	2,484,000
LG SETA	17,624	183,226
Subsidy	-	417,537
Library services	-	268,801
Local government management	833,676	1,369,628
Omovincialisation of libraries	105,800	100,800
MSIG	142,947	1,000,314
Environmental Affairs	-	112,800
	41,450,254	40,836,827
25. Other income		
Other revenue	358,385	29,503
Building plan fees	29,811	74,856
Burial Fees	26,967	32,642
Hall hire and facilities	57,735	38,818
Library - Sundry	-	4,688
Afforestation	208,047	154,630
	680,945	335,137

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
26. General expenses		
Internal Audit	133,266	220,236
Advertising	179,440	209,658
Auditors remuneration	1,050,041	1,037,482
Bank charges	147,080	170,389
Consulting and professional fees	639,308	50,701
Stores and Materials	778,628	787,163
Entertainment	130,157	89,974
Insurance	141,681	256,131
Conferences and seminars	626,729	454,522
IT expenses	49,795	-
Lease rentals on operating lease	401,029	355,947
Levies	226,339	200,206
Motor vehicle expenses	74,690	56,784
Fuel and oil	1,139,703	986,231
Postage and courier	51,257	47,762
Printing and stationery	339,250	264,400
Promotions	35,864	9,210
Protective clothing	210,902	192,348
Projects	285,077	131,508
Research and development costs	300,000	300,000
Staff welfare	45,710	28,688
Subscriptions and membership fees	836,736	156,249
Telephone and fax	792,328	783,224
Training	378,685	215,591
Travel - local	498,129	432,835
Assets expensed	16,216	6,461
Electricity	312,904	328,424
Water	562,664	273,271
Refuse	16,983	1,784
Capital Expenditure	346,173	-
Office Expenses	306,220	189,768
LED Fund	466,770	483,059
Free basic services	594,135	755,794
Free basic services	2,509,020	2,198,383
Accrued Leave	477,871	818,165
Expense 10	50,968	-
Other expenses	3,095,070	2,304,348
	18,246,818	14,796,696

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
27. Employee related costs		
Basic	19,304,020	17,706,279
Medical aid - company contributions	992,056	895,072
UIF	192,872	181,285
WCA	126,076	-
Post-employment benefits - Pension - Defined contribution plan	3,419,720	2,964,829
Overtime payments	1,984,030	1,852,776
Housing benefits and allowances	143,061	127,517
Allowances	1,609,750	1,555,871
Bargaining Council Levy	11,104	7,364
Provision for bonus	-	1,236,886
	27,782,689	26,527,879
Remuneration of Municipal Manager: Mr SD Mbhele (546)		
Annual Remuneration	746,570	740,887
Car Allowance	177,594	133,665
Contributions to UIF,Medical and Pension Funds	1,713	1,497
	925,877	876,049
Remuneration of Chief Financial Officer (11068)		
Annual Remuneration	659,000	300,214
Car Allowance	36,283	75,231
Contributions to UIF,Medical and Pension Funds	41,722	9,766
	737,005	385,211
Remuneration of Corporate Services Ms N Sigwebela(1078)		
Annual Remuneration	435,558	440,125
Car Allowance	151,558	127,331
Contributions to UIF,Medical and Pension Funds	53,747	1,497
	640,863	568,953
Remuneration of Technical Services: Mr M Guzowski		
Annual Remuneration	435,558	419,647
Car Allowance	134,995	127,331
Contributions to UIF,Medical and Pension Funds	1,713	1,497
	572,266	548,475
28. Remuneration of councillors		
Councillors	4,947,635	4,758,769
Telephone allowance	255,284	235,390
Cellphone Allowance	4,060	-
	5,206,979	4,994,159
Mayor	-	494,665
Deputy Mayor	-	480,793
Councillors	-	4,018,701
	-	4,994,159

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
28. Remuneration of councillors (continued)		
In-kind benefits		
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has one full-time bodyguards/driver.		
29. Debt impairment		
Debt impairment	891,299	171,253
30. Investment revenue		
Interest revenue		
Bank	1,592,461	1,658,788
31. Depreciation and amortisation		
Property, plant and equipment	4,870,475	4,618,476
32. Impairment of assets		
Impairments		
Property, plant and equipment	-	1,238,219
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
33. Finance costs		
Finance leases	68,209	84,630
DBSA- Electricity	5,931	103,112
Afforestation Scheme	-	157
	74,140	187,899
34. Auditors' remuneration		
Expenses	1,050,041	1,037,482
35. Contracted services		
Security	364,132	2,411,225
36. Grants and subsidies paid		
Other subsidies		
Contribution to UGU	220,000	157,500
37. Bulk purchases		
Electricity	6,978,831	6,613,144
Electricity	10,350,364	9,529,961
	17,329,195	16,143,105

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
38. Cash generated from operations		
Surplus	31,055,306	16,889,207
Adjustments for:		
Depreciation and amortisation	4,870,475	4,618,476
(Loss) gain on sale of assets and liabilities	(110,000)	159,526
Changes in value of plantation	(2,957,366)	1,901,920
Finance costs - Finance leases	68,209	84,630
Impairment deficit	-	1,238,219
Debt impairment	891,299	171,253
Movements in provisions	(1,754,981)	(1,695,180)
Other Movement	24,862,165	64,908,141
Changes in working capital:		
Inventories	42,614	(71,472)
Receivables from exchange transactions	(20,052,180)	(10,900,173)
Consumer debtors	2,155,462	(780,642)
Payables from exchange transactions	959,307	208,582
VAT	(693,443)	(4,836,719)
Unspent conditional grants and receipts	(13,510,471)	(1,731,047)
Consumer deposits	(10,399)	(9,540)
	25,815,997	70,155,181

39. Commitments

Authorised capital expenditure

Commitments in respect of capital expenditure:

• Infrastructure	28,313,603	17,507,000
• Community	9,000,000	5,996,000
• Other	2,540,397	252,000
• I Approved and contracted for	6,625,275	12,691,606
	46,479,275	36,446,606

Commitments in respect of operating expenditure

• Approved but not yet contracted for	610,000	610,000
• Approved and contracted for	2,531,491	4,416,793
	3,141,491	5,026,793

40. Contingencies

To management's knowledge no contingent liability was incurred during the year under review.

41. Related parties

There are no related parties transactions.

42. Prior period errors

The correction of the error(s) results in adjustments as follows:

43. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2013

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
44. Unauthorised expenditure		
Opening balance	10,696,865	4,394,969
Unauthorised expenditure for the current year	-	6,301,896
Approved/Condoned by Council	(10,696,865)	-
	<u>-</u>	<u>10,696,865</u>
45. Fruitless and wasteful expenditure		
Opening balance	7,849	7,849
Approved/Condoned by Council	7,849	-
	<u>15,698</u>	<u>7,849</u>
46. Irregular expenditure		
Opening balance	3,257,126	638,223
Irregular Expenditure for the current year	867,212	2,618,903
Approved/Condoned by Council	(4,124,338)	-
	<u>-</u>	<u>3,257,126</u>
47. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Council subscriptions	838,779	144,240
Amount paid - current year	(838,779)	(144,240)
	<u>-</u>	<u>-</u>
Audit fees		
Current year audit invoices	1,051,140	1,083,877
Amount paid - current year	(1,051,140)	(1,083,877)
	<u>-</u>	<u>-</u>
PAYE and UIF		
Current year payroll deductions and Council Contributions	4,185,797	3,836,851
Amount paid - current year	(4,185,797)	(3,836,851)
	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Current year payroll deductions and Council Contributions	6,557,207	5,836,581
Amount paid - current year	(6,557,207)	(5,836,581)
	<u>-</u>	<u>-</u>
VAT		
VAT receivable	<u>2,832,789</u>	<u>2,139,346</u>

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
47. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Contingent Liability		
Contingent Liability (Litigations) R 1 814 887.13		
48. Budget differences		
49. Changes in value of plantation		
Changes in value of plantation	2,957,366	(1,901,920)

Plantation standing timber - Afforestation Scheme

Plantation inventories are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-taxation rate. Increases or decreases in value are recognised in the Statement of Financial Performance. All expenses incurred in maintaining and protecting the assets are recognised in the Statement of Financial Performance.

Finance charges are not capitalised.

The Scheme held 1,049 (2010 : 1,049) hectares of plantations at year end. The Scheme is exposed to financial risks arising from changes in standing timber prices. The Scheme does not anticipate that standing crop prices will decline significantly in the foreseeable future, standing timber prices. The Scheme does not anticipate that standing crop prices will decline significantly in the foreseeable future,

The Scheme reviews its outlook for standing timber prices regularly in considering the need for active financial risks management.

50. Councillors accounts in arrear

No councillors were in arrears as at 30 June 2013

51. Afforestation

The municipality's plantations are known as The Umuziwabantu Municipality Harding Afforestation Scheme. This Scheme has entered into an agreement with NCT Forestry Co-operative in terms of which the latter has taken over the management of the timber plantations owned by The Umuziwabantu Municipality Harding Afforestation Scheme. By agreement this function is now being performed by NCT Tree Farming (Pty) Ltd, a wholly owned subsidiary of the co-operative.

In terms of this agreement NCT Tree Farming (Pty) Ltd is entitled to a profit share equal to 5% of the net profit generated by the forestry operations prior to the deduction of such fee.

Further, NCT Tree Farming (Pty) Ltd is not entitled to any payment other than the recovery of direct costs should the forestry operation not make a profit, or if a loss is made in any year, nor is it liable for any losses other than in the case of NCT Tree Farming (Pty) Ltd's negligence in terms of the agreement.

No taxation has been provided as the net income is attributable directly to the Umuziwabantu Municipality.

In previous years the Afforestation Scheme was accounted for using the equity method.

From 1 July 2007 the Scheme's operations have been incorporated on a line-by-line basis into the financial statements.

52. Private public partnerships

The municipality was not a party to any Private Public Partnerships during the financial year 2012/2013

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
53. Supply chain section 36 deviations		
Thuthukani Taxi Association	178,200	-
Edwins Motors	13,010	139,272
EMC Motors	17,392	144,941
Sky Blue Media	11,965	-
South Coast Herald	15,569	-
Harvey World	18,233	185,035
Thompson Motors	33,535	-
Other deviations	1,514,085	689,920
	1,801,989	1,159,168

UMUZIWABANTU MUNICIPALITY
Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Loan Stock							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Structured loans							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Funding facility							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Development Bank of South Africa							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

UMUZIWABANTU MUNICIPALITY
Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
		-	-	-	-	-	-
		-	-	-	-	-	-
Bonds							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Other loans							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Lease liability							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Annuity loans							
		-	-	-	-	-	-
		-	-	-	-	-	-

UMUZIWABANTU MUNICIPALITY
Appendix A

Schedule of external loans as at 30 June 2010

[illegible]